

Message Text

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ORIGIN EB-07

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EA - L.EDMOND
CAB - R.T.JOHNSON

----- 085415

P 101917Z DEC 76
FM SECSTATE WASHDC
TO AMEMBASSY JAKARTA PRIORITY

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E.O. 11652: N/A

TAGS: EAIR, ID

SUBJECT: CIVAIR - US-GOI NEGOTIATIONS

REF: (A) JAKARTA 15915; (B) JAKARTA 15383; (C)
(C) JAKARTA 15384; (D) JAKARTA 15630; (E) STATE 295352;
(F) JAKARTA 15911

1. FOLLOWING ARE OUR COMMENTS ON SEVERAL ASPECTS OF
NEGOTIATIONS AND PROPOSED TEXT OF LETTER FOR SALIM.

2. WITH REFERENCE TO EMBASSY'S POINTS, UNTIL DECEMBER 4
REVERSAL, GOI'S DENIAL OF RIGHTS TO PAA TO OPERATE FROM
GUAM WAS NEITHER IN KEEPING WITH BILATERAL AGREEMENT NOR A
PROPER EXCHANGE FOR GRANTING GARUDA RECIPROCAL ROUTE TO
LOS ANGELES. BILATERAL UNEQUIVOCALLY ALLOWED GUAM TO BE
USED AS POINT OF ORIGIN, DESTINATION OR INTERMEDIATE, AND
GOI DEMAND FOR ADDITIONAL PAYMENT FOR RIGHT ALREADY PAID FOR
WAS AN IMPROPER NEGOTIATING TACTIC. SINCE BILATERAL HAS
NOT BEEN SUSPENDED BY EITHER PARTY, IT REMAINS IN EFFECT
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MATTER OF GARUDA'S APPLICATION THAT USG IS RELUCTANTLY

REVERTING TO RECIPROCITY BECAUSE OF GOI'S CONTINUED
INTRANSIGENCE.

3. DESPITE DGCA'S BELATED APPROVAL OF PAN AM'S REQUEST TO
FLY VIA GUAM, PAA, AS IT STATED IN ITS NOVEMBER 30 LETTER
TO KARDONO, UNABLE TO DETERMINE AT THIS TIME IF AND WHEN
ITS RESOURCES MAY BE REDEPLOYED TO INDONESIA. DEPT WOULD
ALSO APPRECIATE EMBASSY'S VIEW OF RELATIONSHIP OF DEC 4
LETTER TO DEC 7 MEETING WITH SALIM AT WHICH NO MENTION OF
THIS ACTION WAS MADE.

4. AVIATION TECHNOLOGY NOW REACHING POINT WHERE LONG
DISTANCE NONSTOP FLIGHTS BECOMING MOST ECONOMICALLY
FEASIBLE OPERATION IN MANY PARTS OF WORLD. THEREFORE, IN
ORDER TO SUSTAIN PROPER LOAD FACTORS, ORIGIN AND DESTINA-
TION POINTS MUST BE SUFFICIENTLY LARGE TO WARRANT SUCH
ROUTING. UNFORTUNATELY, INDONESIA IS NOT A LARGE ENOUGH
MARKET TO SERVE SUCH A PURPOSE. THIS ONLY INCREASES
COMPETITION YOU REFER TO IN REFTEL A, PARA 5.

5. REGARDING PENDING CAB DECISION ON GARUDA APPLICATION,
FOLLOWING IS FYI ONLY AND SHOULD NOT BE DIVULGED TO GOI:
FOLLOWING DISCUSSIONS WITH CAB OFFICIALS, IT IS OUR EXPECT-
ATION THAT THE BOARD WILL ANNOUNCE NO LATER THAN DEC 27
THAT DECISION ON APPLICATION WILL BE DEFERRED UNTIL
PRESENT NEGOTIATIONS ARE CONCLUDED AND THAT THE DEFERRAL
WILL NOT ADVERSELY AFFECT FUTURE CONSIDERATION OF THE
APPLICATION.

6. IT IS HOPED SUCH STATEMENT WILL "HOLD DOOR OPEN." IN
VIEW OF GOI'S PLANS FOR MAJOR PROMOTION CENTER IN SAN
FRANCISCO AND ITS NEED TO UTILIZE DC-10'S, KEEPING NEGO-
TIATIONS ALIVE WOULD APPEAR TO BE EVEN MORE ADVANTAGEOUS
TO INDONESIA THAN TO U.S. APROPOS OF SAN FRANCISCO
PROMOTION CENTER: WHY IS IT PLANNED FOR SF WHEN LOS
ANGELES IS ANTICIPATED TERMINAL?

7. IN SOMEWHAT SIMILAR CONSIDERATION, DEPT WOULD APPRE-
CIATE FURTHER CLARIFICATION OF QUESTION IN REFTEL E,
PARA 2, CONCERNING POSSIBLE DAMAGE TO BROADER US POLITICAL
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AND ECONOMIC INTERESTS RESULTING FROM DENIAL OF GARUDA
APPLICATION.

8. IN ACCORDANCE WITH CAB POLICY, GARUDA WOULD BE PER-
MITTED TO CARRY ITS OWN STOPOVER TRAFFIC (REFTEL A, PARA 6)
KEY CONSIDERATION IS WHETHER AIRLINE BROUGHT PASSENGERS
INTO COUNTRY AND NOT NATIONALITY OF PASSENGER. LENGTH OF
STOPOVER IS DETERMINED BY TARIFF PROVISIONS ACCEPTED BY

AERONAUTICAL AUTHORITIES OF BOTH COUNTRIES.

9. ON NOVEMBER 24, 1976, CAB LAW JUDGE RECOMMENDED TO BOARD THAT FLYING TIGER'S CERTIFICATE BE RENEWED AND

AMENDED TO INCLUDE INTER ALIA ALL-CARGO AND MAIL SERVICE TO INDONESIA, MALAYSIA AND SINGAPORE FOR FIVE-YEAR PERIOD. COPY OF DECISION HAS BEEN POUCHED AS REQUESTED. BECAUSE OF SEVERAL PROCEDURAL STEPS THAT MUST BE TAKEN FOLLOWING LAW JUDGE'S RECOMMENDED DECISION AND BEFORE BOARD'S REVIEW, FINAL DECISION IN THIS CASE WILL PROBABLY NOT BE REACHED UNTIL LATE 1977.

10. EMBASSY SHOULD FORWARD FOLLOWING LETTER WHICH IS BASED ESSENTIALLY ON EMBASSY'S DRAFT.

11. TEXT OF LETTER:

QUOTE. I REFER TO OUR CONTINUING DISCUSSION OF INDONESIAN-US CIVIL AVIATION MATTERS AND TO YOUR LETTER OF NOVEMBER 3 IN RESPONSE TO MY LETTER OF SEPTEMBER 10.

THE APPROPRIATE AUTHORITIES IN WASHINGTON HAVE STUDIED YOUR RESPONSE TO OUR SEPTEMBER PROPOSAL. AS WE DISCUSSED PREVIOUSLY, ANY FINAL AGREEMENT MUST BE BASED ON A PRAGMATIC BALANCE OF MUTUAL BENEFITS. WHILE THE US GOVERNMENT, IN ITS PROPOSAL, HAS MET ALL OF THE INDONESIAN GOVERNMENT'S REQUESTS FOR THE CONDITIONS WHICH WOULD MAKE GARUDA'S OPERATION OF SERVICE TO THE US VIABLE, THE PROPOSAL SET FORTH IN YOUR NOVEMBER 3 LETTER DOES NOT, UNFORTUNATELY, IN THE VIEW OF OUR AUTHORITIES, PROVIDE THE US AIRLINE THE NECESSARY FIFTH FREEDOM TRAFFIC RIGHTS AND FLEXIBILITY IN INTERMEDIATE POINTS WHICH WOULD PERMIT IT A VIABLE OPERA-LIMITED OFFICIAL USE

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TION TO INDONESIA. THE US AUTHORITIES BELIEVE THE SEPTEMBER PROPOSAL PROVIDES A PRAGMATIC BASIS FOR A CIVIL AVIATION MODUS VIVENDI BETWEEN THE TWO COUNTRIES. IT IS HOPED THE INDONESIAN GOVERNMENT WILL REVIEW THIS OFFER IN A MORE UNDERSTANDING LIGHT.

THE US GOVERNMENT ALSO WISHES TO NOTE THAT IT CONSIDERS THE ADDITION OF ALL-CARGO SERVICES AND A SECOND DESIGNATED SCHEDULED AIRLINE TO BE PENDING MATTERS WHICH ARE STILL PERTINENT AND SHOULD BE ON THE AGENDA OF ANY FUTURE CONSULTATION.

THE US GOVERNMENT BELIEVES THAT IT HAS MADE A SIGNIFICANT EFFORT TO MEET THE INDONESIAN GOVERNMENT'S CONCERNS ABOUT THE PREVIOUS STATUS OF COMMERCIAL AIR SERVICES BETWEEN OUR

TWO COUNTRIES AND REGRETS THAT A SATISFACTORY BASIS FOR A
NEW UNDERSTANDING HAS YET TO BE FOUND. WE CONTINUE TO
DESIRE A VIABLE, MUTUALLY BENEFICIAL CIVIL AVIATION
RELATIONSHIP AND BELIEVE ACCEPTANCE OF OUR SEPTEMBER PRO-
POSAL WILL ACHIEVE THAT OBJECTIVE. UNQUOTE. ROBINSON

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